FRASER COMPANIES, LIMITED

Annual Report 1967

IN THIS REPORT

STOCK TRANSFER AGENT AND REGISTRAR

Montreal Trust Company

- Montreal, P.Q.
- Toronto, Ontario
- Vancouver, B.C.
- Saint John, N.B.

STOCK LISTED

Montreal Stock Exchange
Toronto Stock Exchange

THE ANNUAL GENERAL MEETING

of the shareholders of Fraser Companies, Limited will be held at the general office of the company at Edmundston, N.B., on Friday, the 19th day of April, 1968, at the hour of ten o'clock in the forenoon, Atlantic Standard Time.

Directors and Officers

BOARD OF DIRECTORS

E. R. ALEXANDER
First Vice-President, Sun Life Assurance Company of Canada

F. PHILIPPE BRAIS
Brais, Campbell, Pepper & Durand

RALPH B. BRENAN
President, G.E. Barbour Company, Limited

*ARTHUR H. CAMPBELL
Director, St. Lawrence Corp. Ltd.

CLARENCE T. CLARK
Vice-President — Manufacturing

H. ROY CRABTREE
Chairman and President, Wabasso Limited

F. RYLAND DANIELS
Chairman and Chief Executive Officer, Dominion Textile Company, Limited

JOHN E. L. DUQUET
Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston

A. A. FRANCK
President, Sogemines Limited

PHILIP L. HOVEY
President

ROY A. JODREY
President, Minas Basin Pulp & Power Company Limited

DONALD E. KERLIN
Director, Montreal Trust Company

K. W. MATHESON
Senior Vice-President

A. L. PENHALE
Chairman, Asbestos Corporation Limited

FRANK H. SOBEY
Chairman, Sobey Stores Limited

EDWARD C. WOOD
Chairman, Sogemines Limited

HONORARY DIRECTORS

AUBREY CRABTREE
Retired, Former Chairman and President

L. M. SHERWOOD
Retired, Former Vice-President

*Deceased

EXECUTIVE COMMITTEE

H. ROY CRABTREE
Chairman

RALPH B. BRENAN

A. A. FRANCK

PHILIP L. HOVEY

ROY A. JODREY

A. L. PENHALE

EDWARD C. WOOD

OFFICERS

H. ROY CRABTREE
Chairman of the Board

PHILIP L. HOVEY
President

K. W. MATHESON
Senior Vice-President

RALPH B. BRENAN
Vice-President

CLARENCE T. CLARK
Vice-President — Manufacturing

W. A. KETCHEN
Vice-President — Technical Services

E. S. McLEAN
Treasurer

B. W. HICKS
Secretary

F. B. RICHARDS
Controller

H. P. HIERLIHY
Assistant Treasurer

H. M. LOGAN
Assistant Controller

Directors' Report

TO THE SHAREHOLDERS:

The Consolidated Balance Sheet of Fraser Companies, Limited and its wholly-owned subsidiary, Fraser Paper, Limited and the Statement of Consolidated Earnings, the Statement of Consolidated Retained Earnings and the Statement of Consolidated Source and Application of Funds for the year ended 31st December, 1967 are submitted herewith.

Earnings for the year before interest charges and provisions for depreciation and depletion were $6,936,144.

The net profit for the year after all charges amounted to $705,765.

During the year, capital expenditures were $4,127,537.

The consolidated net working capital amounted to $15,711,078.

Two regular quarterly dividends of 30¢ per share for the first and second quarters of 1967 were paid. Due to reduced earnings, dividends for the third and fourth quarters were omitted.

Commencing in 1967 the straight line method of providing depreciation, at rates designed to amortize the cost of the fixed assets over their anticipated useful lives, was adopted on a uniform basis throughout the Company. The provision for depreciation for the year 1967 was $5,461,629 as compared with $6,555,343 which was provided in 1966 under a composite method of calculation. Had the straight line method been in effect in 1966, the provision for that year would have been $3,992,673.

As a result of claiming capital cost allowances in excess of depreciation recorded in the accounts when filing 1966 Canadian income tax returns a loss carry-forward was created for income tax purposes. Application of part of this loss has eliminated taxes on income otherwise payable for the year.

Total shipments of pulp, paper and paper board amounted to 356,381 tons. This was 4,450 tons less than the previous year. Lumber shipments amounted to 27,435,000 board feet compared to 26,781,000 board feet in 1966.

The competitive situation for pulp, paper and paper board became more intense as the year progressed. The excess capacity for production in most segments of the industry resulted in price declines for many grades.

The series of equipment failures at Newcastle continued into 1967 and were climaxed by recovery furnace explosions on April 27th and August 12th. These two explosions, the 56th and 58th in North America since March 1948, severely delayed achievement of a satisfactory rate of operation. The operating rates and profitability of both Newcastle and Atholville were affected by the 1,800,000 tons of additional world pulp capacity which came on line during the year.

Start-up of the off-the-machine coating operation at Madawaska was achieved by the end of the first quarter. Expenses incurred in this connection of $451,151 were charged to operations for the year. There was a marked decline in demand during the year for the coated publication grades which this facility produces. This affected production and sales, with the result that it was not until November that this new line of printing papers first contributed to profit. Prices on the volume grades of paper products weakened at mid-year.

The joint venture between Fraser Companies, Limited and E. S. & A. Robinson (Holdings) Ltd., of Bristol, England, to manufacture pulp, paper and linerboard at Atholville, New Brunswick, which had been delayed because of the difficulties of acceptable financing in rising interest markets received a further setback with the devaluation of the pound. It is now unlikely that this joint venture will proceed. Other projects for the Atholville mill are being considered.

The Company's proposal for full utilization of the Cabano timber limits through construction and operation of a modern sawmill with shipments of chips from sawmill waste to Edmundston has not been approved by the Quebec Government. Feasibility studies of a combined particle board-sawmill operation as recommended by that Government showed the project to be uneconomical.

The stream improvement project on the Saint John River watershed is estimated to cost some $9,000,000 and to be completed by the spring of 1970. Substantial grants will be arranged by the Province in conjunction with the Federal Department of Fisheries, and by the Atlantic Development Board under their formula of awards for the accomplishment of pollution reduction in inland waters. The financing of the major part of the cost however, must be arranged by the Company. Most of this cost will be self-liquidating over a period of years through recovery of chemicals and steam generation.

Aerial spraying for the control of the spruce budworm was continued in 1967. A concentrated effort with newly developed chemicals on a smaller acreage is planned for 1968 in this important project.

Labour agreements for a one-year term were negotiated at Madawaska. Contracts covering a two-year period were negotiated with Unions representing woods and sawmill employees in New Brunswick. In Quebec one-year labour contracts covering all operations were concluded. Labour agreements covering the Canadian pulp mills and the Madawaska paper mills will be open for negotiation in mid 1968.

Operations at the newsprint mill of Rothesay Paper Corporation, in which this Company has a substantial interest, continued to show improvement in 1967.

Under letter dated October 13th, 1967, The Price Company Limited submitted an offer to the shareholders of this Company, other than residents of

the United States, to acquire the common shares of this Company. After examining the offer, your Directors strongly recommended that it be rejected and each shareholder was so informed under covering letter of October 16th, 1967. The Price Company withdrew their offer on November 15th.

H. Roy Crabtree, a Director since 1956, was elected Chairman of the Board of Directors and A. A. Frank was elected a Member of the Executive Committee. Edward C. Wood, formely Chairman of Imperial Tobacco Company of Canada Limited has been elected a Director of the Company, filling the Board vacancy created by the death of A. H. Campbell who had been a Director since 1933. Mr. Wood, who brings to the Company a background of broad industrial experience, was also elected to the Executive Committee.

1967 was one of the more difficult years in the history of the Company. World conditions in the industry served to compound operating and start-up difficulties. Notwithstanding this world situation, your Directors have confidence in the long term future.

The Directors express their appreciation to the officers and employees for their efforts and loyalty during this difficult year.

Submitted on behalf of the Board of Directors.

H. ROY CRABTREE
Chairman

PHILIP L. HOVEY
President

Edmundston, New Brunswick.

February 28th, 1968.

Financial

STATEMENT OF CONSOLIDATED EARNINGS

	YEAR ENDED DECEMBER 31	
	1967	1966
Net sales	$70,680,516	$72,411,920
Interest income	26,292	243,588
	70,706,808	72,655,508
Cost of products sold, selling, administrative and general expenses	64,435,782	60,709,995
Bond interest	768,750	394,875
Depreciation and depletion — Note 2 A	5,461,629	6,555,343
Taxes on income — Note 3	—	1,642,000
	70,666,161	69,302,213
Earnings from operations	40,647	3,353,295
Fire loss recoveries	579,475	—
Net gain on realization of fixed assets — Note 2 B	85,643	327,008
Net earnings for the year	$ 705,765	$ 3,680,303

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

	1967	1966
Balance at beginning of year	$50,584,165	$50,020,405
Net earnings for the year	705,765	3,680,303
	51,289,930	53,700,708
Dividends	1,335,661	3,116,543
Balance at end of year	$49,954,269	$50,584,165

Consolidated Balance Sheet

ASSETS		DECEMBER 31 1967	1966
CURRENT:			
Cash		$ 168,510	$ 613,375
Accounts receivable — Note 4		7,969,001	7,250,707
Inventories, valued at cost or net realizable value, whichever is lower, comprising raw materials and supplies, goods in process and finished products, and current logging and pulpwood advances		21,653,818	21,369,226
Prepaid insurance		40,106	123,345
		29,831,435	29,356,653
SPECIAL REFUNDABLE TAX		398,266	280,558
INVESTMENTS AT COST:			
Rothesay Paper Corporation		2,612,000	2,612,000
Other		152,729	145,894
		2,764,729	2,757,894
FIXED:			
Plants and properties, freehold and leasehold timber limits at cost		165,837,309	162,157,533
Less:			
Accumulated depreciation	$89,304,123		
Accumulated depletion	14,463,397	103,767,520	98,753,652
		62,069,789	63,403,881
		$ 95,064,219	$ 95,798,986

Approved on behalf of the Board:

H. ROY CRABTREE, Director

FRANK H. SOBEY, Director

LIABILITIES	DECEMBER 31	
	1967	1966
CURRENT:		
Bank indebtedness	$ 7,019,000	$ 3,455,000
Accounts payable and accruals	5,947,711	8,547,541
Bonds due within one year (U.S. $750,000)	809,953	—
Dividends payable	—	1,113,051
Taxes on income	343,693	299,683
	14,120,357	13,415,275
FIRST MORTGAGE AND COLLATERAL TRUST BONDS:		
5-1/8% Series due 1969/1987 (U.S. $14,250,000)	15,389,110	16,199,063
PROVISION FOR FUTURE INCOME TAXES	6,691,000	6,691,000
SHAREHOLDERS' EQUITY		
Common shares without nominal or par value:		
Authorized — 3,000,000 shares		
Issued — 2,226,102 shares	3,984,483	3,984,483
Retained earnings	49,954,269	50,584,165
Reserve for possible decline in inventory values and other general purposes	4,925,000	4,925,000
	58,863,752	59,493,648
	$95,064,219	$95,798,986

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

	YEAR ENDED DECEMBER 31	
SOURCE OF FUNDS	1967	1966
Net earnings for period	$ 705,765	$ 3,680,303
Depreciation and depletion	5,461,629	6,555,343
Provision for future income taxes	—	1,370,000
	$ 6,167,394	$11,605,646
APPLICATION OF FUNDS		
Net additions and improvements to plants and properties	$ 4,127,537	$19,904,724
Bonds redeemable	809,953	350,000
Dividends declared	1,335,661	3,116,543
Investments increased	6,835	1,019,127
Special refundable tax	117,708	280,558
	6,397,694	24,670,952
Working Capital decreased	230,300	13,065,306
	$ 6,167,394	$11,605,646

Notes to Consolidated Financial Statements

1. BASIS OF CONSOLIDATION

In consolidating the financial statements of Fraser Paper, Limited, which operated in the United States of America, American dollars are expressed as an equal number of Canadian dollars.

2. ACCOUNTING PROCEDURES

A. It is the policy of the company to amortize the cost of fixed assets over their anticipated useful lives. Prior to 1967 this was accomplished by using a composite of the straight-line, diminishing balance and sum-of-the-digits methods of calculating the annual provision for depreciation. Commencing in 1967 the straight-line method has been adopted on a uniform basis throughout the company. This method will distribute the annual provision evenly over the anticipated useful lives, whereas under the former methods the amounts fluctuated from year to year with higher charges in the early years. The provision for the year charged to earnings is $2,756,000 less than it would have been under the former methods with significant amounts attributable to the Newcastle mill expansion and the new coater project at Madawaska.

B. In keeping with current accounting practice the net gain on realization of fixed assets, previously credited to retained earnings, has been shown in the statement of earnings for the year.

3. INCOME TAXES

The company claimed additional capital cost allowances when filing its 1966 Canadian income tax returns thereby creating a loss carry-forward for income tax purposes. Application of part of this loss has eliminated taxes on income otherwise payable for the year and the balance available for future years is $3,015,000.

The subsidiary company, Fraser Paper, Limited, has a loss carry-forward of $1,910,000 for United States income tax purposes at December 31, 1967 of which $1,254,000 is the result of additional depreciation charges which the company is required to claim for the year 1967 under Internal Revenue Service regulations.

4. INSURANCE CLAIMS

Claims for insured losses resulting from the recovery boiler explosions at Newcastle and fire losses during the year have been or are in the process of settlement. A portion of such claims amounting to $1,340,000 is included in accounts receivable at December 31, 1967.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Included in the charges against income is the total remuneration of directors and senior officers of $292,480 in 1967 ($305,309 in 1966) of which $189,500 ($194,118 in 1966) was paid to directors including those who are officers.

Auditors' Report

TOUCHE, ROSS, BAILEY & SMART

CHARTERED ACCOUNTANTS

HALIFAX
QUEBEC
MONTREAL
TORONTO
LONDON
REGINA
NORTH BATTLEFORD
EDMONTON
SAINT JOHN
CAP DE LA MADELEINE
OTTAWA
HAMILTON
WINNIPEG
SASKATOON
CALGARY
VANCOUVER
VICTORIA

ROYAL BANK BUILDING
PLACE VILLE MARIE
MONTREAL 2, CANADA

UNITED STATES OF AMERICA
GREAT BRITAIN
AND OTHER COUNTRIES
THROUGHOUT THE WORLD

CABLE ADDRESS: "TROBAS"

The Shareholders,
Fraser Companies, Limited.

We have examined the consolidated balance sheet of Fraser Companies, Limited and its wholly owned subsidiary Fraser Paper, Limited as at December 31, 1967 and the statements of consolidated earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company and its subsidiary as at December 31, 1967 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles. In our opinion, except as outlined in Note 2 to the financial statements, these principals have been applied on a basis consistent with that of the preceding year.

Touche, Ross, Bailey & Smart.

Chartered Accountants.

Montreal, Que.
February 23, 1968.

Ten Year Comparison

FOR THE YEAR	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
QUANTITIES SHIPPED:										
Pulp, paper and paperboard — tons	356,381	360,513	327,530	350,609	322,133	284,889	268,912	240,288	240,396	242,454
Lumber — M f.b.m.	27,435	26,781	30,337	31,343	32,733	29,519	31,089	27,119	31,397	27,691
	(Thousands of Dollars)									
Net sales	$70,681	$72,412	$66,586	$64,844	$61,862	$59,304	$55,605	$53,745	$55,133	$54,564
Depreciation and depletion	5,462	6,555	4,992	4,893	4,887	4,757	3,981	3,670	3,628	3,939
Taxes on income	—	1,642	3,499	4,003	3,571	3,925	3,311	3,380	4,271	4,484
Earnings from operations	41	3,353	5,440	5,016	4,188	4,225	3,380	3,613	4,151	4,622
Other earnings (net)	665	327	371	222	3,014	27	50	39	5	7
Net earnings	706	3,680	5,811	5,238	7,202	4,252	3,430	3,652	4,156	4,629
Additions to plants and properties	4,128	19,905	22,017	8,276	5,562	3,802	2,444	7,590	5,098	4,346
Bonded debt at December 31	16,199	16,199	16,549	700	1,050	1,400	1,750	2,100	2,450	2,800
PER COMMON SHARE										
Income taxes	—	0.74	1.57	1.80	1.60	1.76	1.49	1.52	1.92	2.02
Earnings from operations	0.02	1.51	2.44	2.25	1.88	1.90	1.52	1.62	1.86	2.07
Net earnings	0.32	1.65	2.61	2.35	3.23	1.91	1.54	1.64	1.87	2.08
Dividends declared	0.60	1.40	1.40	1.40	1.40	1.40	1.20	1.20	1.50	1.50

2,226,102 common shares were outstanding from 1958 to 1967 inclusive.

In 1967 gains on realization of fixed assets, previously credited to retained earnings have been shown in the Statement of Earnings for the year. The ten year comparison has been adjusted accordingly.

Offices, Plants and Products

Fraser Companies, Limited

General and Executive Offices Edmundston, New Brunswick

	MILLS	PRODUCTS MANUFACTURED IN CANADA
Edmundston, N.B.	Sulphite and groundwood pulpmills, sulphite and kraft bleaching plants and paperboard mill	• Coated Paperboards • Uncoated Paperboards
Atholville, N.B.	Sulphite pulpmill	• Restigouche Bleached Sulphite Pulp
Newcastle, N.B.	Kraft pulpmill	• Bleached Kraft Pulp • Semi-Bleached Kraft Pulp • Unbleached Kraft Pulp
Plaster Rock, N.B.	Sawmill and dressing mill	• Eastern Canadian Spruce Lumber
Cabano, P.Q.	Dressing mill	• Eastern Canadian Spruce Lumber

DIVISIONAL OFFICES FOR DISTRICT WOODS OPERATIONS

Edmundston, N.B. | Newcastle, N.B. | Atholville, N.B. | Plaster Rock, N.B. | Cabano, P.Q.

SALES OFFICES

Royal Bank of Canada Building, Place Ville Marie, Montreal 2, Quebec	Pulp and paperboard sales
159 Bay St., Toronto 1, Ontario	Paperboard sales
Edmundston, New Brunswick	Lumber sales

Fraser Paper, Limited *(Subsidiary Company)*

MILLS Madawaska, Maine

Paper mills manufacturing high grade specialty papers from chemical and groundwood pulps

PRODUCTS MANUFACTURED IN U.S.A.

- Business Forms Papers
  Fra-O-Form and Kopy Klear Opaque, Magnetic Ink Character Recognition and Optical Character Recognition Papers

- Commercial Printing Papers
  Snowland Bond — Mimeograph, Duplicator, Offset, Ledger and Manifold

- Converting Papers
  Fracote, Giftcote, Coated and Uncoated Grades for Special Requirements

- Groundwood Papers
  Coated and Uncoated
  Lightweight Specialties in Gravure, Letterpress and Offset Finishes

- Lightweight Printing Papers
  Fra-Opaque, Fra-O-Text and Sno-Text

SALES OFFICES

330 Madison Avenue, New York 10017, N.Y.
111 W. Washington St., Chicago 60602, Ill.

This report, excepting the cover, is printed on Kedgwick Offset paper, 80 lb. Vellum Finish, a product of Fraser Paper, Limited, Madawaska, Maine.

AR25

This Offer is restricted to the holders of common shares of Fraser Companies, Limited but is not otherwise to be construed as a public offering.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

This Offer is not, and under no circumstances is to be construed as, an offer to any resident of the United States of America or of any of the territories or possessions thereof.

PRICE

OFFER - (FAILED)

To the holders of common shares

of

FRASER COMPANIES, LIMITED

by

THE PRICE COMPANY LIMITED

The basis of this Offer is as follows:

> **One 5.6% Cumulative Redeemable Preferred Share of the par value of $100 of Price and two Share Purchase Warrants of Price for each four common shares of Fraser.**
>
> **One Share Purchase Warrant will entitle the holder to subscribe for one common share of Price at $12.50 at any time after March 1, 1968 up to and including December 31, 1971 and thereafter at $15.00 at any time up to and including December 31, 1975 and thereafter at $17.50 at any time up to and including December 31, 1979.**

This Offer is open for acceptance up to and including Monday, November 13, 1967.

This Offer will not be binding on Price unless and until acceptances have been received with respect to at least a majority of the common shares of Fraser. This condition may be waived by Price.

The formal Offer is set forth on Page 3 hereof.

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The following constitutes full, true and plain disclosure of all material facts relating to the 5.6% Cumulative Redeemable Preferred Shares and Share Purchase Warrants of The Price Company Limited offered by it in exchange for the issued and outstanding common shares without nominal or par value of Fraser Companies, Limited as required by Part IX of The Securities Act, 1966 (Ontario) and the regulations thereunder, Part X of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, Part 9 of The Securities Act (Alberta) and the regulations thereunder and Part IX of the Securities Act, 1967 (British Columbia) and the regulations thereunder.

THE PRICE COMPANY LIMITED

Quebec, Quebec, October 13, 1967

To the holders of common shares
without nominal or par value of
Fraser Companies, Limited:

The Price Company Limited (herein called "Price") hereby offers to acquire, subject to the terms and conditions hereinafter set forth, all your common shares of the capital stock of Fraser Companies, Limited (herein called "Fraser") on the basis of one fully paid and non-assessable 5.6% Cumulative Redeemable Preferred Share of the par value of $100 (herein called "Preferred Share") of the capital stock of Price and two Share Purchase Warrants (herein called "Warrants") of Price for each four common shares of Fraser. One Warrant will entitle the holder thereof to subscribe for one fully paid and non-assessable common share of Price upon surrender of a Warrant and payment of $12.50 at any time after March 1, 1968 up to and including December 31, 1971 and thereafter payment of $15.00 at any time up to and including December 31, 1975 and thereafter payment of $17.50 at any time up to and including December 31, 1979.

1. Period and Manner of Acceptance. This offer (herein called the "Offer") may be accepted by you at any time up to and including Monday, November 13, 1967 (herein called the "Offering Time") by completing promptly in the manner therein specified the form of letter of transmittal (**page 25**) attached hereto and forwarding it, together with the certificate(s) representing your common shares of Fraser to Montreal Trust Company (herein called the "Exchange Agent") at any of the following offices: 43 King Street, Saint John, New Brunswick; 777 Dorchester Boulevard West, Montreal, Quebec; 15 King Street West, Toronto, Ontario or 466 Howe Street, Vancouver, British Columbia; which letter of transmittal and certificate(s) must be delivered or mailed to the Exchange Agent within the Offering Time. Such certificate(s) need not be endorsed by you, but the letter of transmittal must be executed and the execution thereof guaranteed, all as specified in the letter of transmittal.

Price shall not be bound by your acceptance of the Offer unless and until the Exchange Agent advises Price that the Offer has been accepted during the Offering Time with respect to at least a majority of the common shares of Fraser. This condition shall herein be called the "Special Condition" and may be waived by Price.

If the Special Condition is not fulfilled and is not waived by Price during the Offering Time, certificate(s) for all common shares delivered by you to the Exchange Agent pursuant to the Offer shall be returned as soon as possible in the same manner as is provided in paragraph **3** hereof for the delivery of certificate(s) for Preferred Shares and of Warrants and Scrips.

2. Scrip. A Scrip in bearer form will be issued where necessary entitling the holder of each such Scrip, when combined with three like Scrips, to one Preferred Share and two Warrants. The rights attaching to such Scrips will expire on November 13, 1969.

3. Delivery. Upon the fulfilment or waiver of the Special Condition any common shares, certificate(s) for which and the letter of transmittal in respect of which properly executed and guaranteed are delivered to the Exchange Agent within the Offering Time and in the manner herein provided, shall be taken up and there will be issued and forwarded by insured mail to each shareholder accepting the Offer, at the address under which the surrendered common shares of Fraser are registered, unless instructions have been given in the letter of transmittal to deliver against counter receipt or otherwise (in which event such instructions will be followed):—

(a) certificate(s) for the appropriate number of Preferred Shares issued in the name under which the surrendered common shares of Fraser are registered, unless indicated otherwise in the letter of transmittal,

(b) the appropriate number of Warrants in bearer form, and

(c) where applicable, the appropriate number of Scrips in bearer form.

4. Right of Withdrawal. Any shares deposited pursuant to the Offer may be withdrawn by you at any time until the expiration of seven (7) days from the date on which the Offer was mailed.

5. Transfer Taxes. Price will pay the stock transfer taxes in respect of the transfer to it of the common shares of Fraser.

6. Dividends. If the Special Condition has been fulfilled or waived on or before November 13, 1967, holders of common shares of Fraser who have delivered their shares for exchange on or before that date will receive the first dividend of $1.40 on each Preferred Share accruing from October 1, 1967 and payable January 1, 1968.

Shareholders are advised to use insured mail for their protection when forwarding their certificate(s).

THE PRICE COMPANY LIMITED

President.

Summary of the attributes and characteristics relating to the Preferred Shares and Share Purchase Warrants of Price.

Issue: The 5.6% Cumulative Redeemable Preferred Shares of the par value of $100 (herein called "Preferred Shares") will rank *pari passu* with and will contain substantially the same provisions as the outstanding 37,500 4% Cumulative Redeemable Preferred Shares of the par value of $100 except as to the rate of dividend and the redemption price.

Dividends: The Preferred Shares will carry the right to a fixed cumulative preferential cash dividend payable in semi-annual instalments in lawful money of Canada on the first days of January and July in each year at the rate of 5.6% per annum. Dividends will accrue from October 1, 1967 in the case of Preferred Shares issued on or prior to November 13, 1967.

Redemption: Redeemable at any time in whole or from time to time in part on not less than thirty days' notice on or before December 31, 1977 at 110% and thereafter at 105%, together with all accrued and unpaid preferential dividends thereon.

Additional Shares: Preferred shares ranking *pari passu* with the Preferred Shares may be issued as set forth in paragraph (g) of the Schedule, which paragraph also sets forth the restrictions pertaining to the issue of preferred shares ranking in priority to the Preferred Shares.

Purchase For Cancellation: Price at its option may purchase Preferred Shares in the open market at a price or prices not exceeding the then redemption price.

Voting Rights: The holders of the Preferred Shares will be entitled to one vote per share in the event that Price is in arrears in the aggregate for two half-yearly dividends whether or not consecutive.

Warrants: When issued, the Preferred Shares will be accompanied by Share Purchase Warrants (herein called "Warrants"). One Warrant will entitle the holder to subscribe for one fully paid and non-assessable common share of Price upon the surrender of a Warrant and payment of $12.50 at any time after March 1, 1968 up to and including December 31, 1971 and thereafter payment of $15.00 at any time up to and including December 31, 1975 and thereafter payment of $17.50 at any time up to and including December 31, 1979.

The provisions attaching to the Warrants will provide for the adjustment of the subscription right in certain events so as to protect the rights of holders of Warrants against dilution.

Legality: In the opinion of Counsel, the Preferred Shares will be investments in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may, without availing itself for that purpose of the provisions of subsection (4) of Section 63 of said Act, invest its funds.

Listing: Application for the listing of the Preferred Shares and the Warrants on the Montreal Stock Exchange and The Toronto Stock Exchange will be made.

Transfer Agent: Montreal Trust Company, Halifax, N.S.; Saint John, N.B.; Montreal, Que.; Toronto, Ont.; Calgary, Alta. and Vancouver, B.C.

Registrar: The Royal Trust Company, Halifax, N.S.; Saint John, N.B.; Montreal, Que.; Toronto, Ont.; Calgary, Alta. and Vancouver, B.C.

Should be read in conjunction with the Schedule which appears on page 22

Plan of Acquisition

Upon acceptances of the Offer with respect to a majority of its common shares, Fraser will become a subsidiary of Price and a member of the Price Group (as referred to under the heading "The Company"). As such, Fraser will have access to the management, financial and material resources of a strong, well diversified group of companies.

Price is one of the leading manufacturers of newsprint in the world. In addition, the company is an important producer and converter of kraft paper and paperboard products and is the largest producer of lumber in Eastern Canada. Price has substantial interests in mining which make a significant contribution to its annual income. Fraser is a large producer of fine commercial papers and groundwood papers, kraft and sulphite pulps, coated and uncoated paperboard and lumber. The products of the two companies are complementary rather than competitive and the merging of their operations will result in improved product diversification. The combined operations of the two companies will encompass major production facilities in the Provinces of Quebec, New Brunswick and Newfoundland as well as a strong worldwide marketing organization.

Price may pay a fee of 30¢ per share of Fraser exchanged pursuant to the Offer to the Soliciting Dealer Group as more fully set out in paragraph (ii) under the heading "Material Contracts". Legal, auditing, printing and miscellaneous expenses, estimated to amount to $200,000, are to be borne by Price.

Material Change in Fraser

The net earnings reported by Fraser for the three months ended March 31, 1967 were $66,843 or $0.03 per share compared with $1,020,908 or $0.46 per share for the same period in the preceding year, and for the six months ended June 30, 1967 were $550,954 or $0.25 per share compared with $1,914,607 or $0.86 per share for the same period in the preceding year. During 1967 Fraser changed its method of providing for depreciation as a result of which net earnings as shown above for the six months ended June 30, 1967 have been increased by $654,000.

Price does not know of any information that indicates any other material change in the financial position or prospects of Fraser since December 31, 1966 other than such changes as may have been caused by two explosions in the recovery furnace at the Newcastle kraft pulp mill on April 27, 1967 and on August 12, 1967. These occurrences together with generally unfavourable market conditions have been attributed as the cause of lower earnings and the omission of the quarterly common dividend which would normally have been paid on October 31, 1967.

Material Change in Price

Price does not know of any information that indicates any material change in the financial position or prospects of Price since July 31, 1967 except that profits on sales of investments and fixed assets, which totalled $88,000 for the seven months ended on that date, had increased by $1,149,000 to $1,237,000 by September 30, 1967.

Dividend Record

Price has paid dividends on its outstanding shares in respect of the five years ended December 31, 1966 as follows:

Common Shares (adjusted for 3 for 1 split on April 21, 1966)

	1962	1963	1964	1965	1966
Per share....	$ 0.67	0.67	0.67	0.67	0.75
Total amount	$6,354,000	6,355,000	6,355,000	6,355,000	7,428,000

4% Cumulative Redeemable Preferred Shares

	1962	1963	1964	1965	1966
Per share....	$ 4.00	4.00	4.00	4.00	4.00
Total amount	$160,000	160,000	160,000	160,000	155,000

Market Price Range and Volume of Trading of Common Shares of Fraser and Price

The following is a summary showing in reasonable detail the market price range in dollars per share and volume of trading of the common shares of Fraser and Price on the Montreal and Toronto Stock Exchanges in the six month period preceding the date of the Offer:

1967	Fraser			Price		
Month of	High	Low	Volume	High	Low	Volume
April	\$28	\$23	10,998 shs.	\$14⅛	\$12⅞	80,605 shs.
May	24½	22½	18,569	13¼	12¼	82,239
June	23	20¼	38,528	12⅝	11½	120,807
July	22¾	21⅜	13,544	12¼	11⅝	63,364
August	22¼	16	42,035	12¾	11¾	73,926
September	24⅞	17½	88,908	12¼	11¼	90,810
to October 10	23¾	21¾	32,747	12¼	10¾	30,502

The Company

Price was incorporated under the name Price Brothers & Company, Limited by Letters Patent issued under Part I of the Companies Act (Quebec) on October 7, 1920. Supplementary Letters Patent were issued on April 21, 1966 changing its name from Price Brothers & Company, Limited to its present name and on October 11, 1967 authorizing an increase in its capital stock by the creation of 600,000 5.6% Cumulative Redeemable Preferred Shares of the par value of \$100 each. Its head office and principal office are located at 65 Ste. Anne Street, Quebec, Quebec.

Price, whose business was first established as a lumber manufacturing company in 1816, was greatly enlarged and strengthened through the acquisition in 1961 of Anglo-Newfoundland Development Company, Limited, now known as Price (Nfld.) Pulp & Paper Limited (Price (Nfld.)).

Price has five principal subsidiaries, namely: Price (Nfld.) which is 99.7% owned and the wholly-owned subsidiaries: Price Paper Corporation, representing Price and its subsidiaries in the international newsprint and pulp markets; Price Kraft and Paperboard Corporation, engaged in the sale of kraft and paperboard; Price Lumber Company Limited, which handles all sales of lumber products; and Price Wilson Limited, a manufacturer, converter and nationwide distributor of paper and allied products.

Wholly-owned subsidiaries of Price (Nfld.) include Grand Falls Central Railway Company Limited and Price Shipping Limited, providing rail and water transportation services, and Terra Nova Properties Limited. Price (Nfld.) has a 51% interest in Gaspesia Pulp and Paper Company Ltd., which operates the mill at Chandler, Quebec, the remaining 49% being held by The New York Times Company.

The above-mentioned companies together with Terra Nova Explorations Ltd. (No Personal Liability), The Jonquiere Pulp Company, The Kenogami Land Company, Limited, Price Paper Corporation (Canada) Ltd., Price Paper Limited, The Riverbend Company Limited, Price Paper (Proprietary) Limited, Companhia Canadense de Papel, Hygiene Products Limited, North River Paper Ltd., Victoria Box & Paper Ltd., Price (Shipshaw) Sawmill Limited and The MacLean Mining Company Limited comprise the Price group of companies (the Price Group).

Business of the Price Group

General

The Price Group is one of the largest producers in the Canadian forest products industry. With mills located in the Provinces of Quebec and Newfoundland, it is a leader in world newsprint production and manufactures a wide range of kraft paper and paperboard products. The Price Group is the leading producer of lumber in Eastern Canada. The Price Group owns a base metal mine at Buchans, Newfoundland which is operated by American Smelting and Refining Company. The Price Group charters a fleet of ocean-going ships and has railway facilities in Newfoundland. Its marketing organization for the sale of newsprint is worldwide and lumber and pulp are also sold in international markets. It is also a major distributor of other paper and allied products with outlets across Canada.

Sales and Markets

The following table sets forth sales by major industrial classifications and markets by geographical area.

	1962	1963	1964	1965	1966
			(in thousands)		
Sales:					
Newsprint	$ 72,646	$ 75,533	$ 88,709	$ 86,418	$ 99,092
Paperboard	5,457	5,308	6,592	7,442	8,709
Kraft paper	2,364	5,037	6,488	7,782	9,123
Market pulp	8,017	9,328	7,455	7,764	7,395
Lumber	3,820	3,869	3,414	3,854	3,910
Converted and resale products	9,424	10,736	13,119	14,176	15,340
Total	$101,728	$109,811	$125,777	$127,436	$143,569
Markets:					
U.S.A.	$ 53,916	$ 51,611	$ 60,373	$ 59,043	$ 71,219
Canada	20,346	25,257	30,186	35,344	42,087
Other	27,466	32,943	35,218	33,049	30,263
Total	$101,728	$109,811	$125,777	$127,436	$143,569

Newsprint

The newsprint mills of the Price Group are located at Kenogami, Alma and Chandler, Quebec, and at Grand Falls, Newfoundland. These four mills have an annual capacity of 906,000 tons and are advantageously situated to make use of abundant water supply for driving, storing and delivery of pulpwood logs. They are located on or close to tidewater, thus facilitating water shipments to markets. During the past five years, newsprint sales have increased by approximately 35%.

As part of an overall expansion programme begun in 1961, a modern high speed newsprint machine having a capacity in excess of 100,000 tons per annum was installed at Chandler in 1963. Plant modernization and expansion now under way includes the installation of new high speed newsprint machines with a total annual capacity of 380,000 tons at Alma, Chandler and Grand Falls. As several older machines will be decommissioned when the new capacity becomes available, the increment of additional tonnage will be a net of approximately 180,000 tons. When these new machines are in production, the Price Group will have fifteen newsprint machines in operation with over 1,000,000 tons of annual newsprint capacity, four of which will account for one-half of its newsprint capacity. The Price Group will then have more modern newsprint machine capacity than any other producer east of the Rocky Mountains. Three of the seven machines in the Grand Falls mill have recently been rebuilt and major improvements have been effected in connection with the mill's shipping and wood handling facilities.

In addition to standard newsprint, the Price Group also produces roto, offset, lightweight, bulky and coloured grades of newsprint.

Kraft Products

A kraft pulp and paperboard mill (the Jonquiere mill), completed in 1962 to replace obsolete production facilities, has an annual capacity of 65,000 tons of kraft pulp and 46,000 tons of paperboard. The Jonquiere mill is one of the most modern of its type in the world. A 156″ kraft-news machine installed in the Kenogami mill in 1962, has an annual capacity of 50,000 tons. The Kenogami mill also has a paperboard and wrapping paper machine with an annual capacity of 17,000 tons. These mills provide a wide range of kraft papers, kraft linerboard, solid bleached and white lined boards for folding carton manufacture and many specialties, such as bottle cap board, closure cap boards and paper plate grades. The Price Group is one of the major producers of boxboards in Canada and the largest exporter of boxboards to the United States and Great Britain.

Pulps

All these mills have adequate mechanical and chemical pulp facilities to meet mill production requirements. In addition, the Grand Falls mill is able to market up to 10,000 tons of sulphite pulp annually and with the new flash dryer installed in 1966, the Jonquiere mill is in a position to market 20,000 tons of unbleached kraft pulp.

Converted Products

The Price Group manufactures and distributes converted paper products, such as bags, wrapping paper, boxes, towels, folding cartons, kraft paper and other products and maintains warehouse and distributing facilities in all major centres across Canada.

Production

The combined saleable pulp and paper production of the Price Group for the five years ended December 31, 1966 was as follows:

Year	Newsprint	Paperboard	Kraft Paper	Market Pulp	Total Pulp and Paper Products
			Tons		
1962	689,000	37,000	12,000	76,000	814,000
1963	662,000	35,000	29,000	85,000	811,000
1964	790,000	42,000	39,000	68,000	939,000
1965	795,000	47,000	45,000	66,000	953,000
1966	875,000	53,000	50,000	59,000	1,037,000

Lumber

The Price Group is the largest manufacturer of lumber in Eastern Canada and operates two sawmills with total annual capacity in excess of 85 million board feet and 70,000 tons of chips. One sawmill is located on the south shore of the St. Lawrence River at Price, Quebec, and a new sawmill (the Shipshaw sawmill) completed in 1967 is located just north of Kenogami in the Saguenay region of Quebec. Both mills have planing and dry kiln facilities and are located close to tidewater, making overseas markets readily available.

Hydro-Electric Power

The Price Group is a major producer of hydro-electric power with an installed capacity of 300,000 h.p. of which 221,000 h.p. is generated in the Lake St. John-Saguenay area and provides the greater part of the power requirements for the Kenogami, Alma and Jonquiere mills.

Timber Holdings

The mills of the Price Group are in a good position in regard to wood supply with timber holdings in Quebec of 8,220 square miles under Crown lease and 186 square miles in freehold. The same position exists in the case of the Grand Falls mill in Newfoundland where the holdings comprise 7,472 square miles under Crown lease and 114 square miles in freehold. Negotiations are in progress to improve the Chandler mill's wood supply position, which presently comprises approximately 1,900 square miles covered by Crown lease or cutting rights. For the most part, timber limits are held in compact blocks accessible by water to the paper and lumber mills.

Mining Interests

Price (Nfld.), through its wholly-owned subsidiary, Terra Nova Properties Limited (Terra Nova), holds mineral and mining rights running for 99 years from 1905 over 2,320 square miles in the Red Indian Lake district of Newfoundland. Terra Nova owns a base metal mine at Buchans, Newfoundland, which is operated by American Smelting and Refining Company. The profits from this mine are shared equally by the two companies and have made substantial contributions to earnings. Reserves of proven and probable ore at Buchans remain adequate to support operations for at least another 10 to 12 years. Terra Nova, through its wholly-owned subsidiary, Terra Nova Explorations Ltd. (No Personal Liability), confirmed late in 1965 that it had discovered, in conjunction with certain partners, a low-grade copper orebody in the Pekan Brook region of the Quebec Gaspé Park. Extensive drilling is still being carried out in order to delineate the area of mineralization.

Capital Expenditures and Commitments

When the expansion, diversification and modernization programme begun in 1961 is completed in early 1968, the Price Group will have invested more than $170 million in new fixed assets during the period. The $32 million kraft pulp, paper and paperboard complex in the Jonquiere-Kenogami area was brought into production in 1962, and was followed by the first newsprint machine at the Chandler mill which began operations in 1964. The $2.3 million kraft pulp flash dryer at Jonquiere and the $6 million Shipshaw sawmill commenced commercial operations at the beginning of 1967. A further $55 million programme to construct three new newsprint machines is now under way. The machines at Alma and Grand Falls will be producing by late 1967 and the one at Chandler will come into operation by mid-1968.

Expenditures on fixed assets in 1966 amounted to $38.9 million of which $21.5 million was for construction work carried out on the new newsprint machines at Alma, Grand Falls and Chandler; $3.4 million for the completion of the Shipshaw sawmill; $12.3 million for modernization of the wood handling facilities at the Chandler mill, completion of the kraft pulp flash dryer at the Jonquiere mill, expenditure on the new steam boiler and turbogenerator at the Kenogami mill and outlays on other mill assets; and $1.7 million was for the purchase and construction of new woods assets. An estimated amount of $26 million will be required to complete approved capital projects.

Major Project Under Study

Price with Weldwood of Canada Limited (a subsidiary of U.S. Plywood-Champion Papers Inc.), is investigating the feasibility of constructing and operating a kraft pulp mill with a nominal capacity of 750 tons per day of bleached kraft pulp, at Quesnel in the central plateau of British Columbia. The proposed mill would cost approximately $70 million and, should the project be approved, the share of Price would amount to approximately $35 million.

Capitalization

	Amount Authorized	Amount Outstanding July 31 and September 30, 1967	Amount to be Outstanding November 13, 1967
LONG-TERM DEBT:			
The Price Company Limited			
5¾% Serial Debentures, Series A, due 1967 and 1968	$ 5,000,000	$ 2,000,000	$ 2,000,000
5¾% Sinking Fund Debentures, Series A, due 1982	20,000,000	19,500,000	19,500,000
6¾% Sinking Fund Debentures, Series B, due 1987	30,000,000	30,000,000	30,000,000
Gaspesia Pulp and Paper Company Ltd.			
5½% Sinking Fund Notes, due 1985	20,375,000	20,375,000	20,375,000
6% Subordinated Sinking Fund Notes, due 1986	8,600,000	8,600,000	8,600,000
6% Junior Subordinated Debentures, due 1987	2,151,000	2,151,000	2,151,000
CAPITAL STOCK:			
The Price Company Limited			
4% Cumulative Redeemable Preferred Shares of $100 par value	50,000 shs.	37,500 shs.	37,500 shs.
5.6% Cumulative Redeemable Preferred Shares of $100 par value	600,000 shs.	—	(1)
Common Shares without nominal or par value (2)	15,000,000 shs.	9,532,632 shs.	9,532,632 shs.

Notes

(1) The amount to be outstanding on November 13, 1967 cannot at present be determined. The maximum number of 5.6% Preferred Shares to be issued on the basis of full acceptance of the Offer is 556,526 shares based on the capitalization of Fraser as at December 31, 1966.

(2) 1,113,051 common shares have been reserved for the exercise of the Share Purchase Warrants of Price, and 300,000 common shares have been reserved for issue pursuant to the Price Group Employees Share Purchase Plan.

(3) As at July 31, 1967, the minority interest of 49% in the common shares and surplus of Gaspesia Pulp and Paper Company Ltd. amounted to $3,762,000. As at July 31, 1967, the minority interest of 0.3% in the common shares and surplus of Price (Nfld.) amounted to $240,000. These percentages remained unchanged as at September 30, 1967.

Pending Legal Proceedings

On June 28, 1963, Abitibi Paper Company Ltd. (Abitibi) filed in the Exchequer Court of Canada (Case No. A-1492) against Price, a Statement of Claim for damages in an amount of $250,000 or alternatively, as Abitibi may elect, an accounting of profits derived by Price through the use of a pulping process protected by Canadian Patent No. 546,513 in favour of Abitibi. Price is fully contesting this claim.

The MacLean Mining Company Limited (MacLean), a member of the Price Group, has under appeal with the Department of National Revenue for the taxation years 1963, 1964 and 1965 income tax assessments relating to mining income in those years. MacLean alleges that its MacLean mine in the vicinity of Buchans, Newfoundland, is a new mine and therefore is exempt from tax for the said three years pursuant to Section 83(5) of the Income Tax Act (Canada). The assessments for the three years amounting in the aggregate to approximately $2,775,000 have been paid by MacLean and taken up as income tax expense in its accounts. Separate Notices of Objection have been filed in respect of said assessments on December 2, 1964, January 7, 1966 and January 13, 1967 respectively. A Notice of Appeal in respect of the assessment for the taxation year 1963 has been filed in the Exchequer Court of Canada (Case No. B-411) under date of April 7, 1965.

Directors and Officers

The names and home addresses in full of the directors and officers of Price and the positions and offices held by each of them respectively and their respective principal occupations are:

Name and Address	Office	Principal Occupation
SIR JOHN WILLIAM MAXWELL AITKEN, Bt., D.S.O., D.F.C., Leatherhead, Surrey, England	Director	Officer, Beaverbrook Newspapers Limited
WILLIAM ANSTRUTHER ARBUCKLE, 8 Chelsea Place, Montreal 25, Que.	Director	Officer, Canadian Board of The Standard Life Assurance Company
WILLIAM ROBERT BROOKE, 1810 Sir Wilfrid Laurier Boulevard, Quebec 6, Que.	Treasurer	Officer, The Price Company Limited
GEORGE CAMERON BROWN, 1380 Leblanc Avenue, Quebec 6, Que.	Vice-President, Paper and Allied Products	Officer, The Price Company Limited
LOUIS DUMOULIN CANNON, Q.C., 2120 Brulart Street, Quebec 6, Que.	Assistant General Counsel and Assistant Secretary	Officer, The Price Company Limited
SIR NEILL COOPER-KEY, M.P., 15 North Court, Great Peter Street, Westminster, London, England	Director	Director, Associated Newspapers Limited
ROBERT DAMAN DUNCAN, 2370 St. Louis Road, Quebec 6, Que.	Assistant Vice-President, Paper and Allied Products	Officer, The Price Company Limited
WILLIAM DUNKERLEY, 1300 Oak Avenue, Quebec 6, Que.	Vice-President, Group Planning	Officer, The Price Company Limited
ALAN STARK GORDON, 3122 Daulac Road, Westmount, Que.	Director	Officer, Royal Securities Corporation Limited
ROBERT FREDERICK HAMMOND, 59 Campbell Court, Queens Gate Gardens, London, S.W.7, England	Director	Officer, Associated Newspapers Limited
THE HON. VERE HAROLD ESMOND HARMSWORTH, 86 Eaton Square, London, S.W.1, England	Director	Officer, Associated Newspapers Limited
GUY HUDON, Q.C., 340 des Bernieres, Quebec 4, Que.	Director	Advocate
KENNETH COLIN IRVING, 197 Mount Pleasant Avenue, Saint John, N.B.	Director	Officer, Irving Oil Company Limited

Name and Address	Office	Principal Occupation
JOHN DAVID JOHNSON 1321 Sherbrooke Street West, Montreal 25, Que.	Director	Retired, former President and Chairman of the Board, Canada Cement Company, Limited
WILLIAM JOSEPH JOHNSTON 1290 Fiset Avenue, Quebec 6, Que.	Vice-President, Forest Products	Officer, The Price Company Limited
ALEXANDRE ADOLPHE LABREQUE, Q.C. 345 Laurier Avenue, Quebec 4, Que.	Vice-President, Secretary and General Counsel	Officer, The Price Company Limited
ROGER LÉTOURNEAU, Q.C. 1213 de Laune, Quebec 6, Que.	Director	Partner, Létourneau, Stein, Marseille, Bienvenue, Delisle & LaRue
SAMUEL DOUGLAS MACGOWAN 820 Levis Avenue, Quebec 6, Que.	Assistant Treasurer	Officer, The Price Company Limited
ROBERT EDWARD MEMBERY 1405 des Gouverneurs, Quebec 6, Que.	Vice-President, Finance	Officer, The Price Company Limited
THOMAS ROSS MOORE 2435 Perodeau Avenue, Quebec 6, Que.	Chairman of the Board, President and Director	Officer, The Price Company Limited
ROBERT ELLIS MORROW, D.F.C., Q.C. Chemin du Golf, St. Bruno, Que.	Vice-Chairman of the Board and Director	Partner, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard
EUGENE LAWRENCE NEAL, D.F.C. 1285 Fitzpatrick Avenue, Quebec 6, Que.	Vice-President	Officer, The Price Company Limited
DONALD STEWART PATTERSON, O.B.E. 27 Richelieu Place, Montreal 25, Que.	Director	Officer, Dominick Corporation of Canada
ARTHUR CLIFFORD PRICE 1231 Wolfesfield Avenue, Quebec 6, Que.	Director	Retired, former Chairman, The Price Company Limited
HAROLD GREVILLE SMITH, C.B.E. 3940 Cote des Neiges Road, Montreal 25, Que.	Director	Officer, Canadian International Investment Trust Ltd.
HARRY COLIN WARNER 2780 Lanoraie, Quebec 10, Que.	Controller	Officer, The Price Company Limited

The principal occupations of the directors and officers within the five preceding years were as shown except for R. D. Duncan, S. D. MacGowan and H. C. Warner who were previously senior employees of the Price Group and L. D. Cannon, Q.C., who was Assistant Deputy Minister of the Department of Revenue, Province of Quebec.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Price Group to directors and senior officers during the last completed financial year of the Company was $374,532 and during the nine months ended September 30, 1967 was $303,483. The estimated cost to the Price Group in the last completed financial year of all pension benefits proposed to be paid in the aggregate under pension plans, directly or indirectly, by the Price Group to directors and senior officers was $60,849.

Options to Purchase Securities

Under the Price Group Employees Share Purchase Plan, effective May 1, 1967, employees of the Price Group, excluding those resident in the United States, are permitted to subscribe for common shares of the capital stock of Price on an instalment basis by payroll deductions.

As at September 20, 1967, subscriptions had been received under the Plan from the following classes of employees of the Price Group for the following number of common shares respectively at $11.62 per share:

	Number of Shares
By senior officers of the Price Group	2,607
By all other employees of the Price Group	28,745
	31,352

The subscriber has the right to cancel his subscription at any time up to May 31, 1968. The total number of common shares reserved for subscriptions under the Plan is 300,000 shares.

Principal Shareholders

As at September 27, 1967, Bouverie Investments Ltd. owned of record and beneficially 1,615,176 common shares which is 16.9% of the equity shares of Price.

As of the same date, all of the directors and senior officers of Price owned beneficially, directly or indirectly, .6 of 1% of the equity shares of Price.

Interest of Management in Material Transactions

A. S. Gordon, a director of Price, is also President, a director and a shareholder of Royal Securities Corporation Limited. As such he had or has an indirect interest in the agreements referred to below in items (ii) and (iv) under the heading "Material Contracts".

D. S. Patterson, a director of Price, is also Chairman of the Board of Dominick Corporation of Canada. As such he had an indirect interest in the agreement referred to below in item (iv) under the heading "Material Contracts".

Auditors, Transfer Agents and Registrars

The auditors of Price are Price Waterhouse & Co., Chartered Accountants, 5 Place Ville Marie, Montreal, Quebec.

The Transfer Agent for the 4% Cumulative Redeemable Preferred Shares, the 5.6% Cumulative Redeemable Preferred Shares and the common shares of Price is Montreal Trust Company, 1695 Hollis Street, Halifax, N.S.; 43 King Street, Saint John, N.B.; 777 Dorchester Boulevard West, Montreal, Que.; 15 King Street West, Toronto, Ont.; 8th Avenue at 3rd Street S.W., Calgary, Alta. and 466 Howe Street, Vancouver, B.C. The Registrar for such shares is The Royal Trust Company, 1648 Hollis Street, Halifax, N.S.; 1 King Street, Saint John, N.B.; 630 Dorchester Boulevard West, Montreal, Que.; 119 Adelaide Street West, Toronto, Ont.; 606 - 7th Avenue S.W., Calgary, Alta. and 626 West Pender Street, Vancouver, B.C.

The Registrar in respect of the debentures of Price is Montreal Trust Company, 777 Dorchester Boulevard West, Montreal, Que. and 15 King Street West, Toronto, Ont.

Material Contracts

The following are the particulars regarding every material contract entered into by the Price Group within the two years preceding the date hereof, in addition to contracts in the ordinary course of business, the Price Group Employees Share Purchase Plan referred to under the heading "Options to Purchase Securities" and the Offer.

(i) An Indenture bearing formal date of October 13, 1967 was entered into between Price and Montreal Trust Company, as Trustee, with respect to the issuance of the Warrants.

(ii) An agreement was executed between Price, Royal Securities Corporation Limited and Wood Gundy Securities Limited on September 28, 1967 by which Royal Securities Corporation Limited and Wood Gundy Securities Limited, as joint managers, have agreed to form a Soliciting Dealer Group to procure acceptances of the Offer and Price has covenanted to pay Royal Securities Corporation Limited and Wood Gundy Securities Limited in respect of acceptances procured through the members of the Soliciting Dealer Group a fee of 30¢ in respect of each share of Fraser exchanged pursuant to the Offer, subject to a minimum of $6.00 in respect of any single owner of shares of Fraser and Royal Securities Corporation Limited and Wood Gundy Securities Limited have agreed to pay in turn to each such member two-thirds of such fees of 30¢ per share and $6.00 per owner.

Where acceptances are received but are not procured through a member of the Soliciting Dealer Group, Price has covenanted to pay Royal Securities Corporation Limited and Wood Gundy Securities Limited a fee of 10¢ in respect of each share of Fraser exchanged.

(iii) A Supplemental Trust Deed bearing formal date of June 1, 1967 was executed between Price and Montreal Trust Company, as Trustee with respect to the issuance of $30 million principal amount of 6¾% Sinking Fund Debentures, Series B of Price.

(iv) An agreement was executed on April 25, 1967, between Price and Royal Securities Corporation Limited, Wood Gundy Securities Limited, Pitfield, Mackay, Ross & Company Limited and Dominick Corporation of Canada which agreed to purchase from Price the $30 million principal amount of 6¾% Sinking Fund Debentures, Series B.

(v) An agreement entitled 1966 Memorandum of Agreement was executed on January 14, 1966, between Price, The New York Times Company, Price (Nfld.), Price Paper Corporation, and Gaspesia Pulp and Paper Company Ltd. ("Gaspesia"), providing, inter alia, for the installation of a second newsprint machine at Gaspesia's existing pulp and paper mill.

(vi) A Guarantee Agreement was executed on June 30, 1966 by Price in favour of New York Life Insurance Company and Metropolitan Life Insurance Company whereby Price guaranteed the payment of the principal, interest and premium, if any, on the 6% Subordinated Sinking Fund Notes of Gaspesia in the aggregate principal amount of $8 million (U.S.) issued to New York Life Insurance Company and Metropolitan Life Insurance Company.

(vii) An agreement entitled 1966 Seven-Party Agreement was executed on June 30, 1966, supplementing the agreement referred to in (v) above, by Price, Gaspesia, Price (Nfld.), Price Paper Corporation, The New York Times Company, New York Life Insurance Company and Metropolitan Life Insurance Company with respect to, inter alia, the installation of the said second newsprint machine of Gaspesia, and the undertaking by Price to loan to Gaspesia jointly with The New York Times Company any additional sums necessary to complete the installation of the said machine over and above the $8 million (U.S.), such loans to be evidenced by Junior Subordinated Debentures of Gaspesia.

(viii) A letter agreement was executed on June 6, 1966 between Price and Weldwood of Canada Limited with respect to the share of Price in the event of default on the $650,000 performance bond posted with the Province of British Columbia as assurance that the Quesnel mill will be built and in operation by 1971.

The following contracts have been entered into by the Price Group for the acquisition or purchase of property or services in connection with improvements to its mills at Chandler, Kenogami, Alma and

Grand Falls, and to its Shipshaw sawmill, which contracts bear the dates and have been made with the companies, firms or individuals, as the case may be, and are in respect of the objects and for the prices, as follows:

(ix) The Harland Engineering Company of Canada Ltd., LaSalle, Quebec, sectional drives, dated March 21, 1967, contract price approximately $560,000.

(x) Caribou Construction Inc., Westbrook, Ontario, sawmill construction, dated November 5, 1965, contract price approximately $555,000.

(xi) Combustion Engineering-Superheater Ltd., Montreal, Quebec, steam generating unit, dated October 14, 1966, contract price approximately $585,000.

(xii) Rust Associates Ltd., Montreal, Quebec, general contracting, dated October 29, 1965, contract price approximately $22,000,000.

(xiii) E. G. M. Cape (1956) Ltd., Montreal, Quebec, labour and material for paper machine, dated September 8, 1966, contract price approximately $3,342,000.

(xiv) Dominion Engineering Works Limited, Lachine, Quebec, paper machine, dated May 26, 1966, contract price approximately $3,600,000.

Copies of such agreements may be inspected at the head office of Price during ordinary business hours during the Offering Time.

Shareholders of Fraser

No securities in the capital stock of Fraser are beneficially owned, directly or indirectly, by Price or an associate of Price.

No securities of Fraser are beneficially owned, directly or indirectly, by a director or senior officer of Price or their associates other than:

Name	Position	Number and Designation of Shares
W. A. Arbuckle	Director	1,000 common
K. C. Irving	Director	13,500 common
R. E. Morrow, Q.C.	Director and Vice-Chairman of the Board	1,000 common
H. G. Smith	Director	1,500 common

The directors and senior officers of Price have no knowledge of any person or company who beneficially owns, directly or indirectly, equity shares of Price carrying more than 10% of the voting rights attached to all equity shares of Price for the time being outstanding and who beneficially own directly or indirectly any securities of Fraser.

Trading in Equity Shares of Fraser

The only equity shares of Fraser traded by Price, an associate of Price, a director and a senior officer of Price and their associates, and where known to the directors or senior officers of Price, by a person or company who beneficially owns, directly or indirectly, equity shares of Price carrying more than 10% of the voting rights attached to all equity shares of Price for the time being outstanding were 1,000 common shares of Fraser sold by R. E. Morrow on September 1, 1967 at a price of $17 per share.

Directors' Approval

This circular was presented to a meeting of the board of directors of Price held on October 11, 1967 and the contents hereof have been approved and its delivery authorized by the directors of Price.

The Price Company Limited

and Subsidiary Companies

Consolidated Balance Sheet at 31st July 1967

Assets

Current Assets:	
Cash	$ 4,530,000
Short-term investments at cost (market value $12,619,000)	12,611,000
Accounts receivable	29,155,000
Inventories, including expenditures on logging operations, at lower of cost or market	51,229,000
Prepaid expenses	2,722,000
	100,247,000
Trusteed Funds (Note 3)	7,250,000
Special Refundable Profits Tax	1,096,000
Receivables not Currently Due	4,456,000
Investments (Note 4)	7,389,000
Fixed Assets (Note 5):	
Property, plant, equipment, timber limits and mining rights, at cost	323,011,000
Less: Accumulated depreciation and depletion	151,645,000
	171,366,000
	$291,804,000

Liabilities

Current Liabilities:	
Accounts payable and accrued liabilities	$ 11,851,000
Dividends payable	1,788,000
Income and other taxes payable	2,089,000
Long-term debt due within one year (Note 7)	1,000,000
	16,728,000
Deferred Income Taxes (Note 6)	22,499,000
Long-Term Debt (Note 7)	81,626,000
Minority Shareholders' Interest in Subsidiary Companies	4,002,000
Shareholders' Equity:	
4% Cumulative redeemable preferred shares of $100 par value (redeemable at $101)—Authorized and issued—50,000 shares, less 12,500 shares redeemed	3,750,000
Common shares without nominal or par value— Authorized—15,000,000 shares Issued — 9,532,632 shares (Note 8)	76,972,000
Retained earnings	86,227,000
	166,949,000
	$291,804,000

Approved on behalf of the Board:

(Signed) T. R. Moore, Director

(Signed) R. E. Morrow, Director

The Notes to the Financial Statements on pages 19 and 20 are an integral part of this Statement.

The Price Company Limited

and Subsidiary Companies

Consolidated Statement of Earnings

(thousands of dollars)

	Years ended 31st December					Seven months ended 31st July	
	1962	1963	1964	1965	1966	1966	1967
Sales, less delivery expenses	$101,728	$109,811	$125,777	$127,436	$143,569	$78,997	$79,766
Gain on foreign exchange	5,945	6,472	7,154	6,835	8,036	4,205	4,376
Mining income	959	1,898	5,916	4,387	2,406	535	1,243
	108,632	118,181	138,847	138,658	154,011	83,737	85,385
Cost of sales, including selling and administrative expenses	88,023	96,350	105,369	108,859	121,454	67,005	67,277
	20,609	21,831	33,478	29,799	32,557	16,732	18,108
Investment income	368	723	780	1,114	1,155	654	620
	20,977	22,554	34,258	30,913	33,712	17,386	18,728
Depreciation and depletion (Note 6)	5,851	6,413	9,103	9,754	10,073	5,820	6,197
Interest on long-term debt	343	2,384	2,716	2,597	2,742	1,483	2,097
Other interest	640	38	—	—	93	18	342
Profit before income taxes and minority shareholders' interest	14,143	13,719	22,439	18,562	20,804	10,065	10,092
Income taxes (Note 6)	7,430	7,129	10,030	7,355	9,395	4,783	4,748
Minority shareholders' interest	(464)	(743)	103	667	495	244	59
Net profit from operations	7,177	7,333	12,306	10,540	10,914	5,038	5,285
Profit on sales of investments and fixed assets	1,244	665	504	506	1,112	1,096	88
Start-up expenses (Note 10)	(846)	(233)	—	—	—	—	—
Net earnings	$ 7,575	$ 7,765	$ 12,810	$ 11,046	$ 12,026	$ 6,134	$ 5,373 - 12.4%
						5,513	4,626
						621	747 + 20.?

Consolidated Statement of Retained Earnings

(thousands of dollars)

	Years ended 31st December					Seven months ended 31st July	
	1962	*1963*	*1964*	*1965*	*1966*	*1966*	*1967*
Retained earnings from previous years (Note 11)	$ 67,710	$ 67,993	$ 69,243	$ 76,546	$ 80,911	$ 80,911	$85,354
Net earnings for the period	7,575	7,765	12,810	11,046	12,026	6,134	5,373
Dividends on—preferred shares	(160)	(160)	(160)	(160)	(155)	(80)	(75)
—common shares	(6,354)	(6,355)	(6,355)	(6,355)	(7,428)	(3,853)	(3,575)
Other (Note 11)	(778)	—	1,008	(166)	—	—	(850)
Retained earnings at end of period	$ 67,993	$ 69,243	$ 76,546	$ 80,911	$ 85,354	$ 83,112	$86,227

The Notes to the Financial Statements on pages 19 and 20 are an integral part of these Statements.

The Price Company Limited
and Subsidiary Companies

Notes to Financial Statements

Note 1. General

The financial statements include the accounts of all subsidiary companies, the principal subsidiaries being Price (Nfld.) Pulp & Paper Limited, Price Wilson Limited, Price Paper Corporation, Price Kraft and Paperboard Corporation and Price Lumber Company Limited. All subsidiary companies are wholly owned except Price (Nfld.) Pulp & Paper Limited which is 99.7% owned and which in turn owns 51% of Gaspesia Pulp and Paper Company Ltd.

The Company's annual financial statements to shareholders did not include the consolidation of the accounts of Gaspesia prior to 1965.

Note 2. Foreign Currencies

Balances and transactions in foreign currencies have been converted to Canadian dollars as follows:

Balance sheet—current assets and current liabilities, at exchange rates in effect at 31st July 1967; long-term debt, at rates in effect when debt incurred.

Statement of earnings—at average rates of exchange during the period.

Note 3. Trusteed Funds

Funds deposited with a trustee for application towards the cost of capital projects as required under Supplemental Trust Indenture dated 1st June 1967.

Note 4. Investments

Included in investments are marketable shares of $6,062,000 (market value $8,362,000), of which $4,809,000 are recorded at 31st December 1954 market value. The remaining marketable shares and other investments, consisting of shareholdings acquired for business purposes, are recorded mainly at cost.

Note 5. Fixed Assets

Pulp and paper mills, converting facilities and sawmills	$236,965,000
Water power rights and developments	43,444,000
	280,409,000
Less: Accumulated depreciation	120,223,000
	160,186,000
Timber limits and woods assets	42,352,000
Less: Accumulated depreciation and depletion	31,422,000
	10,930,000
Mining rights	250,000
	$171,366,000

Total fixed assets include $5,693,000 of assets not subject to depreciation or depletion.

Note 6. Depreciation and Income Taxes

Income taxes charged against earnings are based on depreciation written off in the accounts, which is provided for at rates considered adequate to amortize the cost of fixed assets over their useful lives. However, as a result of claiming greater depreciation for tax purposes, income taxes payable were less than taxes charged against earnings by $109,000 in 1960, $1,408,000 in 1961, $1,876,000 in 1962, $1,687,000 in 1963, $2,174,000 in 1964, $2,951,000 in 1965, $7,570,000 in 1966, of which $4,416,000 was applicable to the seven months ended 31st July 1966, and $4,724,000 in the seven months ended 31st July 1967. These differences are included in Deferred Income Taxes on the balance sheet.

No income taxes were chargeable against earnings by Gaspesia for the period of five years and seven months ended 31st July 1967 due to losses in 1962 and 1963 and the carry-forward of such losses over the remainder of the period. As a consequence, consolidated net earnings were increased by $30,000 in 1964, $345,000 in 1965, $295,000 in 1966, $139,000 in the seven months ended 31st July 1966, and $28,000 in the seven months ended 31st July 1967.

Note 7. Long-Term Debt

The Price Company Limited—	
5¾% Sinking Fund Debentures, Series A, due 1982 (sinking fund requirements—$1,200,000 annually 1969 to 1981)	$19,500,000
5¾% Serial Debentures, Series A, due $1,000,000 in 1967 and 1968	2,000,000
6¾% Sinking Fund Debentures, Series B, due 1987 (sinking fund requirements—$1,300,000 annually 1970 to 1986)	30,000,000
Gaspesia Pulp and Paper Company Ltd.—	
5½% Sinking Fund Notes due 1985—$18,890,000 U.S. (sinking fund requirements—$1,110,000 U.S. annually 1969 to 1984)	20,375,000
6% Subordinated Sinking Fund Notes due 1986—$8,000,000 U.S. (sinking fund requirements—$480,000 U.S. annually 1970 to 1985)	8,600,000
6% Junior Subordinated Debentures due 1987—$2,000,000 U.S.	2,151,000
	82,626,000
Less: Amount due within one year	1,000,000
	$81,626,000

Note 8. Options to Purchase Common Shares

Under the Price Group Employees Share Purchase Plan effective 1st May 1967, employees of the Price Group are permitted to purchase common shares of the capital stock of Price on an instalment basis by payroll deductions. Of 300,000 shares reserved under the Plan, subscriptions have been received for 31,574 shares to 31st July 1967 at $11.62 per share. The subscriber has the right to cancel his subscription at any time up to 31st May 1968.

Note 9. Capital Stock

In 1962, the equivalent of 19,296 common shares of the presently authorized share capital was issued in exchange for 35,376 shares of Price (Nfld.) Pulp & Paper Limited which had a book value of $380,000.

Note 10. Start-Up Expenses

1962	
Start-up expenses of kraft and paperboard production facilities of $1,763,000, less income taxes applicable thereto	$846,000
1963	
Parent company's share of start-up expenses of Gaspesia's newsprint machine	233,000

Note 11. Statement of Retained Earnings

Amounts classified as "Capital Surplus" in annual financial statements to shareholders for the years 1962 and 1963 have been included in the accompanying statement of retained earnings to conform with the reclassification of these amounts by the Company in 1964 in keeping with current accounting practice.

Credits or (charges) classified as "Other" are summarized hereunder:

1962		
Discount and expenses on sale of 5¾% Series A Serial and Sinking Fund Debentures	$(636,000)	
Parent Company's share of the expenses of issuing Gaspesia's 5½% Sinking Fund Notes	(142,000)	$(778,000)
1964		
Adjustment arising from changes in accounting practices		1,008,000
1965		
Loss of deposit when project for the construction of a mill in Ontario was not proceeded with		(166,000)
1967		
Discount and estimated expenses on sale of 6¾% Series B Sinking Fund Debentures		(850,000)

The changes in accounting practices effected in 1964 were required to achieve consistency in accounting for the operations of the companies in the Price Group and necessitated increases of $767,000 and $241,000, respectively, in the opening balances of inventories and fixed assets, with a corresponding increase in retained earnings. These adjustments applied mainly to the period prior to 1962 and had no material effect during the five years and seven months under review.

Note 12. Capital Commitments

An estimated amount of $26,000,000 will be required to complete approved capital projects. In addition, Price with Weldwood of Canada Limited is investigating the feasibility of constructing a kraft pulp mill at Quesnel, B.C. at an estimated cost of approximately $70,000,000, of which Price's share would be approximately $35,000,000.

Note 13. Material Contractual Obligations in Respect of Long-Term Leases

The Company is committed in respect of the hire of vessels under charter agreements for varying periods up to 1969. In connection therewith, the aggregate amount of rentals incurred as an expense in the year ended 31st December 1966 was $3,039,000 and the aggregate of the minimum amounts that will be incurred as rental expense in the three years ending 31st December 1969 is $5,750,000.

Note 14. Liability for Income Taxes

Federal income tax returns have been reviewed and assessed up to and including 1965 for the Company and those subsidiary companies with significant taxable incomes. Amounts provided for income taxes payable are considered to be adequate.

Note 15. Unfunded Pension Benefits

Based on the most recent independent actuarial reports, the single-sum liability for unfunded past-service pension benefits not provided for in the accounts at 31st July 1967 is estimated to be $4,400,000. The actuarial reports also indicate that, at the current rate of the Company's contributions, the Pension Plan will be fully funded, in accordance with the Supplemental Pension Plans Act of Quebec, by 31st December 1990.

Note 16. Material Transactions Subsequent to Date of Financial Statements

Profits on sales of investments and fixed assets, which totalled $88,000 for the seven months ended 31st July 1967, had increased by $1,149,000 to $1,237,000 by 30th September 1967.

Auditors' Report

To the Directors of
The Price Company Limited:

We have examined the consolidated balance sheet of The Price Company Limited and Subsidiary Companies at 31st July 1967 and the consolidated statements of earnings and retained earnings for the five years and seven months then ended and for the seven months ended 31st July 1966 and have obtained all the information and explanations which we have required. Our examination of the financial statements of The Price Company Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies examined by us and the audited statements furnished to us, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings are properly drawn up so as to exhibit a true and correct view of the financial position of the company and its subsidiary companies at 31st July 1967 and the results of their operations for the five years and seven months then ended and for the seven months ended 31st July 1966, in accordance with generally accepted accounting principles applied on a consistent basis, except for the changes in accounting practices in 1964 (which we approve) as mentioned in Note 11.

(Signed) PRICE WATERHOUSE & CO.
Chartered Accountants.

Montreal, 29th September 1967.

Consent of Auditors

To The Price Company Limited:

We hereby consent to the use of our report dated 29th September 1967 on the consolidated balance sheet of The Price Company Limited and Subsidiary Companies as at 31st July 1967 and the consolidated statements of earnings and retained earnings for the five years and seven months then ended and for the seven months ended 31st July 1966, appearing in the circular accompanying the Offer by The Price Company Limited to shareholders of Fraser Companies, Limited.

(Signed) PRICE WATERHOUSE & CO.
Chartered Accountants.

Montreal, 29th September 1967.

SCHEDULE

5.6% Preferred Shares

The 600,000 5.6% Cumulative Redeemable Preferred Shares of the par value of one hundred dollars ($100) each (herein called the "5.6% Preferred Shares") of The Price Company Limited (herein called the "Company") shall carry and be subject to the following rights, preferences, privileges, restrictions, conditions and limitations:

(a) The holders of the 5.6% Preferred Shares shall be entitled to receive out of the net profits or surplus of the Company when and as declared by the Board of Directors, cumulative preferential dividends at the rate of five and six-tenths per cent (5.6%) per annum, and no more, on the amount for the time being paid up thereon, such dividends to be payable by cheque or warrant of the Company at any branch of the Company's bankers in Canada (Yukon Territory excepted) in half-yearly instalments on the first days of January and July in each year to shareholders of record on such days as shall be fixed by the Directors on declaration thereof from time to time and to accrue and be cumulative from the first day of October, 1967 in the case of 5.6% Preferred Shares issued up to and including November 13, 1967, and from the first day of January, 1968 in the case of 5.6% Preferred Shares issued after November 13, 1967 and prior to January 1, 1968, and from the date of issue if it be the first days of January, April, July or October and from the first days of January, April, July or October, as the case may be, next preceding the date of issue thereof in the case of any 5.6% Preferred Shares issued after the first day of January, 1968; and no dividends (other than dividends on the 4% Cumulative Redeemable Preferred Shares of the par value of $100 each (herein called the "4% Preferred Shares") shall be declared, paid or set apart upon other stock of the Company unless all cumulative dividends accrued upon the 5.6% Preferred Shares to the last preceding instalment payment date shall have been paid or declared and set apart. Until other stock or shares (other than the 4% Preferred Shares) of the Company shall have been exhausted, the 5.6% Preferred Shares shall not be liable to cancellation or reduction by reason of loss or depreciation of the Company's assets.

(b) The Company shall have the right at any time and from time to time upon resolution of the Board of Directors to call for redemption and redeem all or any of the outstanding 5.6% Preferred Shares at a price per share equal to 110%, if redeemed on or before the thirty-first day of December, 1977, and 105%, if redeemed thereafter, of the par value thereof (or of the amount paid up thereon, if not fully paid-up) plus accrued and unpaid preferential dividends calculated to the date fixed for redemption. If the Company desires at any time to call for redemption and redeem less than all the outstanding 5.6% Preferred Shares, the shares to be redeemed shall be selected by lot in such manner as may be prescribed by resolution of the Board of Directors of the Company.

(c) In any case of redemption of 5.6% Preferred Shares under the provisions of paragraph (b) hereof the Company shall, at least thirty (30) days before the date fixed for redemption, mail to each registered holder of such 5.6% Preferred Shares to be redeemed a notice in writing of the intention of the Company to redeem such shares. Such notice shall be mailed in a prepaid letter addressed to such holder at his address as it appears on the books of the Company, or in the event of the address of any such holder not so appearing, then to the last known address of such holder; provided, however, that accidental failure to give any such notice to one or more such holders shall not affect the validity of such redemption. Such notice shall state the redemption price and the date on which redemption is to take place, and if part only of the shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date fixed for redemption as specified in any such notice the Company shall pay or cause to be paid to or to the order of the registered holders of the 5.6% Preferred Shares to be redeemed the redemption price on presentation and surrender of the certificates representing the shares called for redemption at the head office of the Company or any other place designated in such notice. If a part only of the shares represented by any certificate be redeemed, a new certificate representing the balance shall be issued to the holder at the expense of the Company. If notice of any such redemption be given by the Company in the manner aforesaid and if, on or before the date fixed for redemption as specified in such notice, an amount sufficient to pay to the holder or holders of the 5.6% Preferred Shares to be redeemed the amount or amounts which such holder or holders are entitled to receive in accordance with the foregoing provisions on the

date fixed for redemption be deposited with the transfer agent or agents for such 5.6% Preferred Shares or with any chartered bank or banks or with any trust company or trust companies in Canada as shall be specified in the notice of redemption, dividends on the 5.6% Preferred Shares so called for redemption shall cease to accrue from and after the date so fixed for redemption; and from and after the date of such deposit, the 5.6% Preferred Shares so called for redemption shall be and be deemed to be redeemed and shall not be reissued and the holders thereof shall cease to be entitled to exercise any rights as shareholders in respect of the said shares, and the rights of such holders shall be restricted to receiving without interest their respective proportionate parts of the total redemption price so deposited upon presentation and surrender of the certificates representing such 5.6% Preferred Shares so called for redemption held by them respectively at the office of any such transfer agent or agents, chartered bank or banks, trust company or trust companies, as shall be specified in such notice.

(d) The Company shall have the right at its option at any time and from time to time and whether or not any preferential dividends shall then be in arrears to acquire 5.6% Preferred Shares by purchase in the open market at a price or prices not exceeding in any case at the time of such purchase the redemption price applicable under the provisions of paragraph (b) above if 5.6% Preferred Shares were called for redemption under the provisions of the said paragraph (b). From and after the date of purchase of any 5.6% Preferred Shares in accordance with the provisions of this paragraph (d) the shares so purchased shall be deemed to have been redeemed and shall not be reissued.

(e) In the event of the winding up or dissolution of the Company, whether voluntary or involuntary or for reorganization or otherwise and upon any distribution of assets for the purpose of winding up its affairs or in the event of any reduction of capital, no sum whatever shall be paid to, and no assets whatever shall be distributed among the holders of stock or shares of the Company other than the 4% Preferred Shares, 5.6% Preferred Shares and preferred shares which may be hereafter issued ranking pari passu with the 4% Preferred Shares and the 5.6% Preferred Shares in accordance with the provisions of paragraph (g) hereof, until there shall have been paid to the holders of the 5.6% Preferred Shares, a sum equal to the redemption price of 110% or 105%, as the case may be, which would have been applicable at the time if such 5.6% Preferred Shares were called for redemption under the provisions of paragraph (b) above, plus a sum equivalent to the arrears, if any, of the dividends accumulated on the 5.6% Preferred Shares to the date of such winding up, dissolution, distribution, or reduction of capital as the case may be, whether or not earned or declared; and the holders of 5.6% Preferred Shares shall be entitled to be paid all such moneys out of the assets of the Company by preference over and in priority to the holders of any stock or shares other than the 4% Preferred Shares, 5.6% Preferred Shares and preferred shares which may be hereafter issued ranking pari passu with the 4% Preferred Shares and the 5.6% Preferred Shares in accordance with the provisions of paragraph (g) hereof and after payment to the holders of the 5.6% Preferred Shares of the moneys so payable to them they shall not be entitled to share any further in the distribution of the profits or assets of the Company.

(f) Save as hereinafter provided, holders of the 5.6% Preferred Shares shall not be entitled to vote in respect thereof at any meeting of the Company or to receive notice of any such meeting or to be present thereat, provided, however, that if the Company from time to time shall be in arrears in the aggregate for two (2) half-yearly dividends on the 5.6% Preferred Shares (whether two (2) consecutive half-yearly periods or not) on the days on which the same should be paid according to the terms hereof, whether such dividends have been declared or not and whether or not there are any profits available for payment thereof, then, from and after the date on which the second half-yearly dividend should have been paid according to the terms hereof and so long as any one such half-yearly dividend remains in arrears according to the terms hereof, each holder of 5.6% Preferred Shares shall be entitled at any and all annual, general or special meetings of the Company to one vote for each 5.6% Preferred Share held by him and to receive notice of any and all such meetings. Upon discharge from time to time of all arrears of dividends upon the 5.6% Preferred Shares the voting rights of the holders thereof hereby provided for shall cease and such holders shall not be entitled to exercise voting rights in respect of such shares unless default shall again be made by the Company in the payment of two (2) half-yearly dividends as aforesaid and so on from time to time.

(g) The 5.6% Preferred Shares of the Company shall be subject to the right of the Company at any time and from time to time to increase the capital stock of the Company and to issue further preferred shares entitled to fixed cumulative preferential dividends at such rate or rates per annum and redeemable at the option of the Company at such price or prices as may be determined by by-law of the Company, so that, if any fixed cumulative preferential dividends or amounts payable on return of capital are not paid in full, all such preferred shares, including the fifty thousand 4% Preferred Shares and the six hundred thousand 5.6% Preferred Shares and any such additional preferred shares, shall participate rateably in respect of such dividends including accumulations, if any, in accordance with the sums which would be payable on such shares respectively if all such dividends were declared and paid in full and on any return of capital in accordance with the sums which would be payable on such return of capital if all sums so payable were paid in full, but otherwise such preferred shares shall be entitled and subject to the same rights, preferences, privileges, restrictions, conditions and limitations attaching to the 5.6% Preferred Shares, provided that no preferred shares ranking prior to the 5.6% Preferred Shares shall be authorized or issued and, except as provided in or resulting from any provision hereof, no modification shall be made in any of the rights, preferences, privileges, restrictions, conditions and limitations attaching to the 5.6% Preferred Shares as set out herein unless approved by the votes of at least three-fourths (3/4) of such of the 5.6% Preferred Shares as are represented at a Special Meeting of such holders or at a Special General Meeting of the Company held to authorize the creation of any such preferred shares ranking prior to the 5.6% Preferred Shares or to authorize the making of any such modification.

Share Purchase Warrants

The Share Purchase Warrants (Warrants) will be issued under an Indenture (Warrant Indenture) bearing formal date of October 13, 1967, between Price and Montreal Trust Company, as Trustee. The Warrants authorized to be issued thereunder from time to time are limited to Warrants in respect of 1,200,000 common shares of Price. One Warrant will entitle the holder thereof to subscribe for one fully paid and non-assessable common share upon surrender of a Warrant and payment of $12.50 at any time after March 1, 1968 up to and including December 31, 1971 and thereafter payment of $15.00 at any time up to and including December 31, 1975 and thereafter payment of $17.50 at any time up to and including December 31, 1979.

The Warrant Indenture will contain provisions to the effect that, in the event of any subdivision, consolidation, reclassification of or change in the common shares of Price or in the event of any amalgamation, consolidation or merger of Price or in the event of any sale or conveyance of a substantial portion of the assets of Price, a proportionate adjustment shall be made in the number of common shares or the kind of shares issuable on the exercise of the Warrants. The Warrant Indenture will also provide for an appropriate adjustment of the subscription price payable on the exercise of the Warrants in the event of the issue of common shares (other than shares issued to or for the benefit of employees of the Price Group pursuant to any stock options or pursuant to any stock purchase or analogous plans) at a price different than the prevailing subscription price under the Warrant Indenture in effect immediately prior to the issuance of such common shares, provided that no adjustment is to be made as a result of the issue of common shares which would have the effect of increasing the then subscription price.

Price will covenant in the Warrant Indenture to give public notice before taking certain actions including, amongst others, the payment of a stock dividend on its common shares, the issue of rights to the holders of its common shares or the making of any repayment of capital on its common shares, such notice to be given at least 30 days prior to the record date for the determination of the shareholders entitled to such dividend, rights or repayment of capital. Such notice need only set forth such particulars of such dividend, rights or repayment of capital as shall have been determined at the date the notice is given.

No holder of a Warrant will be entitled to receive on the exercise of such Warrant any certificate for a fraction of a common share but Price may, at its option, in lieu of delivering such certificate either adjust such fractional interest by a cash payment or by the issue of a scrip certificate.

LETTER OF TRANSMITTAL

To accompany certificates for common shares of **FRASER COMPANIES, LIMITED** delivered pursuant to the Offer of **THE PRICE COMPANY LIMITED.**

Please read carefully the instructions on page 26 before completing this letter of transmittal.

Date: , 196 .

MONTREAL TRUST COMPANY,
777 Dorchester Blvd. West,
Montreal, Quebec

MONTREAL TRUST COMPANY,
466 Howe St.,
Vancouver, British Columbia

MONTREAL TRUST COMPANY,
15 King St. West,
Toronto, Ontario

MONTREAL TRUST COMPANY,
43 King St.,
Saint John, New Brunswick

(select appropriate address)

Dear Sirs:

The undersigned, owner of, and with full authority to sell and transfer, the common shares thereby represented, hereby delivers to you the following share certificate(s) for common shares without nominal or par value of the capital stock of FRASER COMPANIES, LIMITED (herein called "Fraser"):

CERTIFICATE NUMBER	NAME IN WHICH REGISTERED	NUMBER OF SHARES

(*If space insufficient please attach list*)

The undersigned hereby irrevocably delivers, subject to the right of withdrawal mentioned in the Offer, such common shares of Fraser and assigns all right, title and interest therein to THE PRICE COMPANY LIMITED (herein called "Price") to be exchanged on the basis of one fully paid and non-assessable 5.6% Cumulative Redeemable Preferred Share of the par value of $100 (herein called "Preferred Share") of the capital stock of Price and two Share Purchase Warrants (herein called "Warrants") of Price for each four common shares without nominal or par value of the capital stock of Fraser.

Said certificates are delivered to you pursuant to the Offer made by Price to the holders of common shares of Fraser under date of October 13, 1967, which Offer is hereby accepted by the undersigned. You are hereby appointed the agent of the undersigned for the purpose of effecting the exchange.

Please issue the preferred share certificate(s) in the name specified below and the warrant(s) and, where appropriate, scrip(s), in bearer form, and mail same by insured mail to the address for that purpose designated below, or if so indicated, deliver such preferred share certificate(s), warrant(s) and scrip(s) against counter receipt. If the Special Condition referred to in the Offer is not fulfilled and is not waived by Price, this letter of transmittal and certificate(s) representing the shares delivered hereby are to be returned in the same manner as is provided for in the preceding sentence.

Issue in name of (Please print)

Name..

Address..
(Street Address or P.O. Box)

....
(City - Province)

Deliver (Indicate alternative desired)

☐ To same address as for issuance

☐ To..

....
(Street Address or P.O. Box)

....
(City - Province)

☐ Deliver against counter receipt

Signature Guaranteed

....
(See item 2 of instructions)

X ....
(Signature)

(Signature of shareholder as indicated on face of certificate, or authorized representative as agent)

INSTRUCTIONS OVERLEAF

INSTRUCTIONS

1. Use of Letter of Transmittal

Each common shareholder of Fraser desiring to accept the Offer should send or deliver this letter of transmittal, completely filled in and signed, together with the share certificate(s) described therein, to Montreal Trust Company (hereinafter referred to as the "Exchange Agent"), at any of its offices at 43 King St., Saint John, New Brunswick; 777 Dorchester Blvd. West, Montreal, Quebec; 15 King St. West, Toronto, Ontario or 466 Howe St., Vancouver, British Columbia. The method of delivery of common shares of Fraser to the Exchange Agent is at the option and risk of the holder, but if mail is used, insured mail is suggested. Share certificate(s) registered in the name of the person by whom (or on whose behalf) the letter of transmittal is signed need not be endorsed or accompanied by any stock power other than the letter of transmittal itself executed in accordance with item 2 below. Share certificates not so registered must be endorsed by the registered holder thereof or accompanied by stock transfer powers duly and properly completed by such registered holder, with signature guaranteed in either case as provided in item 2 below and must be in proper form for transfer.

2. Signature of Letter of Transmittal

(a) The letter of transmittal must be filled in and signed by the shareholder accepting the Offer or by his duly authorized representative. Such signature must be guaranteed by a bank or trust company having a Montreal office or correspondent or by a firm having membership in a recognized Canadian stock exchange or in some other manner satisfactory to the Exchange Agent.

(b) Where the letter of transmittal is executed on behalf of a corporation, partnership or association or by an agent, executor, administrator, trustee, tutor, curator, guardian or any person acting in a representative capacity, the letter of transmittal must be accompanied by satisfactory evidence of authority to act.

(c) Where the letter of transmittal is executed by a married woman, she must, if her husband's authorization is necessary, be authorized by her husband by means of his writing under the guarantee of her endorsement the words "to authorize my wife" and adding his signature, which must be guaranteed as described above.

(d) If additional copies of the letter of transmittal are desired for any purpose, they may be obtained from the Exchange Agent.

THIS SPACE RESERVED FOR EXCHANGE AGENT

Fraser Common Received	Price Preferred Shares Issued	Price Warrants Issued	Price Scrips Issued
...........Shares	..................Shares	......Warrants	......Scrips

Checked

File

By......................

Date.....................

Investment Dealer or Broker, if any, through whom delivery of shares effected.

____
Name

____
Address

(LETTERHEAD)

Quebec, Quebec, October 13, 1967

To the holders of common shares of
Fraser Companies, Limited:

The Price Company Limited has been considering for some time the advisability of acquiring the shares of Fraser Companies, Limited and studies made in cooperation with professional consultants indicate that the integration of Price and Fraser, two of the oldest established companies in the pulp and paper industry, would be mutually beneficial.

Price is one of the leading manufacturers of newsprint in the world. In addition, the company is an important producer and converter of kraft paper and paperboard products and is the largest producer of lumber in Eastern Canada. Price has substantial interests in mining which make a significant contribution to its annual income. Fraser is a large producer of fine commercial papers and groundwood papers, kraft and sulphite pulps, coated and uncoated paperboard and lumber. The products of the two companies are complementary rather than competitive and the merging of their operations will result in improved product diversification. The combined operations of the two companies will encompass major production facilities in the Provinces of Quebec, New Brunswick and Newfoundland as well as a strong world-wide marketing organization.

You are being offered one 5.6% Cumulative Redeemable Preferred Share of the par value of $100 of Price and two Share Purchase Warrants of Price for four common shares of Fraser.

The Preferred Shares being offered to you will carry an annual cumulative dividend of $5.60 per share. The holder of common shares of Fraser has been receiving dividends at the annual rate of $1.40 per share, but the latest quarterly dividend of Fraser which would have been payable October 31, 1967 has been omitted. An exchange of shares under the terms of this offer will entitle you to receive dividends at an annual rate equivalent to that paid in the past on common shares of Fraser including extras. Acceptances of this offer with respect to a majority of the Fraser shares by November 13, 1967 will assure those shareholders of Fraser, who have exchanged their shares by that date, of a dividend accruing from October 1, 1967. The combined average net earnings of Price and Fraser for the three years ended December 31, 1966, were equivalent to 4.7 times the annual dividend requirements on the Preferred Shares of Price now outstanding and on the proposed Preferred Shares.

In addition to one Preferred Share, each holder of four common shares of Fraser will receive two Warrants. One Warrant will entitle the holder to subscribe for one fully paid and non-assessable common share without nominal or par value of the capital stock of Price upon surrender of a Warrant and payment of $12.50 at any time after March 1, 1968 up to and including December 31, 1971 and thereafter

payment of $15.00 at any time up to and including December 31, 1975 and thereafter payment of $17.50 at any time up to and including December 31, 1979. Through these Warrants, the holders of common shares of Fraser will have an opportunity of participating in the ownership and growth of the combined companies.

The common shares of Price are listed on the Montreal and Toronto Stock Exchanges and application will be made for the listing of the Preferred Shares and the Warrants on both of these Exchanges.

The attached circular prepared in accordance with the regulations of the various Provincial securities laws will provide you with further background information.

Yours very truly,

AR25

Fraser Companies, Limited

Edmundston, N. B.

October 16th, 1967.

To Each of the Shareholders of

FRASER COMPANIES, LIMITED.

An offer, which was never formally submitted for prior consideration by your Directors, has recently been addressed to you by The Price Company Limited for the acquisition of your shares of Fraser Companies, Limited.

Your Directors, having now had an opportunity to examine such offer, strongly recommend that it be rejected.

The Directors and Senior Officers of Fraser Companies, Limited, who together with their associates own or control more than 32% of the outstanding shares of the Company, do not propose to accept the offer and have been advised by other large shareholders that it is unacceptable to them.

The offer by The Price Company Limited reflects a severely depressed evaluation of the true worth of your Company having regard to its history, its position in the industry, its financial resources, the nature of its assets, its earning power and its future prospects.

Whilst such offer includes warrants to purchase Common Shares of the offeror at prices increasing from $12.50 per share to $17.50 per share at different periods up to December 31st, 1979, it consists largely of Preferred Shares bearing a fixed rate of dividend. The prospective pay-out on such Preferred Shares would be equal to $1.40 per annum per share of Fraser Companies, Limited and would be substantially below the average of $1.94 per share earned on the shares of Fraser Companies, Limited during the past ten years. Failing an additional future investment by you in the Common Shares of The Price Company Limited, the acceptance of such Preferred Shares on the basis offered would preclude you from participating in earnings and in any future growth of the enterprise beyond the fixed rate of $1.40 per annum. You would also in such circumstances suffer a loss of voting rights.

It is estimated that the securities offered for each share of your Company could have a current market value of $23.75 to $24.50, which would not be greatly higher than that of the shares of your Company at the present time.

In this connection you should keep in mind that the shares of Fraser Companies, Limited have fluctuated between a low of $16 and a high of $28 during the past year and that the fluctuations of the price of the shares on the open market reflect largely the short-term appraisal of daily occurrences by a minor number of small investors, but do not in any event affect the true value of the Company over the years.

The value of the securities offered by The Price Company Limited, even when taken at a possible market price equivalent to $24.50 per share of Fraser Companies, Limited, would in the aggregate be some $5,000,000 less than the net book value of the equity of the shareholders of Fraser Companies, Limited as disclosed in the financial statements as at December 31st, 1966. Moreover, such net book value of the equity does not itself reflect either the very substantial increase in the value of a large portion of the assets of the Company which has occurred since they were acquired over the years or the value of the true earning power of the Company. The disparity between the value of the securities offered and the real value of the Company is therefore very substantial.

Fraser Companies, Limited has been engaged in a substantial program of expansion. Capital expenditures in 1965 and 1966 alone exceeded $40,000,000 — from which your Company has not yet derived full benefit.

Two recent explosions in a Recovery Furnace which occurred in the course of running-in a new plant not only caused a serious loss of production but delayed the achievement of economic operation of these new facilities. These exceptional occurrences, coming at a time when market conditions in the industry were depressed, resulted in the temporary suspension of the dividend.

It is the intention of your Directors to resume payment of a dividend as soon as conditions warrant.

After consideration of the foregoing, your Directors feel that you will agree with their recommendation that the offer should be rejected.

Yours sincerely,

By Order of the Board of Directors

H. Roy Crabtree
Chairman of the Board

Philip L. Hovey
President

Accompanying this letter you will find a Directors' Circular as required under The Securities Act, 1966, of Ontario.

OCTOBER 16, 1967

Fraser Companies, Limited

Edmundston, N.B.

DIRECTORS' CIRCULAR

This directors' circular is furnished in connection with the accompanying letter from the board of directors of Fraser Companies, Limited (hereinafter called "Fraser") to the shareholders of Fraser recommending the rejection of the offer of The Price Company Limited (hereinafter called "Price") dated October 13th, 1967, to acquire all of the common shares without nominal or par value of Fraser (other than those held by residents of the United States of America). This directors' circular is furnished in accordance with the provisions of The Securities Act, 1966, of Ontario and the expressions used herein which are defined in the said Act have the meanings therein ascribed to them respectively.

1. Rejection of Offer

Each director and senior officer of Fraser has informed Fraser that each such director and senior officer and their respective associates has not accepted and does not intend to accept the said offer of Price in respect of any shares of Fraser held by such persons.

The holders of equity shares of Fraser carrying more than 10% of the voting rights attached to all equity shares of Fraser known to the directors and senior officers of Fraser (hereinafter called "10% Fraser holders") have also informed Fraser that such 10% Fraser holders have not accepted and do not intend to accept the said offer of Price in respect of any shares of Fraser held by such 10% Fraser holders.

2. Holding of Fraser Securities

The following tabulation sets forth the securities of Fraser beneficially owned, directly or indirectly, by each director and senior officer of Fraser and their respective associates and by the 10% Fraser holders as at October 13th, 1967:

NAME AND OFFICE	NUMBER OF SECURITIES OF FRASER	
E. R. Alexander, *Director*	1,000 common shares	
F. Philippe Brais, *Director*	1,070 common shares	
Ralph B. Brenan, *Director and Vice-President*	7,522 common shares	
Arthur H. Campbell, *Director*	7,640 common shares	
Clarence T. Clark, *Director and Vice-President — Manufacturing*	550 common shares	
H. Roy Crabtree, *Director and Chairman of the Board*	411,304 common shares ?	177,200
F. Ryland Daniels, *Director*	10 common shares	
John E. L. Duquet, *Director*	100 common shares	
A. A. Franck, *Director*	1 common share	
Philip L. Hovey, *Director and President*	2,500 common shares	
Roy A. Jodrey, *Director*	258,100 common shares ?	
Donald E. Kerlin, *Director*	25 common shares	
K. W. Matheson, *Director and Senior Vice-President*	1,000 common shares	
A. L. Penhale, *Director*	100 common shares	
Frank H. Sobey, *Director*	40,635 common shares	
E. R. Frisby, *Manager of Corporate Development*	10 common shares	
B. W. Hicks, *Secretary*	10 common shares	
W. A. Ketchen, *Vice-President — Technical Services*	200 common shares	
E. S. McLean, *Treasurer*	50 common shares	
Total	731,827 common shares	1033132
Sogemines Investment Limited, 10% Fraser holder	302,305 common shares	13.6
Wabasso Cotton Company Limited, 10% Fraser holder	234,104 common shares	10.5

Total 2,226,102